

**Statement of John R. Thomas**  
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**Before the House Judiciary Subcommittee**  
**On Courts, the Internet and Intellectual Property**

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I am honored to have this opportunity to appear before the Subcommittee. I testify today on my own behalf as a concerned observer of the patent system.

The Subcommittee has appropriately identified patent quality as a crucial issue of contemporary patent administration. Government, industry, academia and the patent bar alike have long insisted that the USPTO approve only those patent applications that describe and claim a patentable advance. Quality patents are, in short, valid patents. Such patents may be reliably enforced in court, consistently expected to surmount validity challenges, and dependably employed as a technology transfer tool. Quality patents fortify private rights by making their proprietary uses, and therefore their value, more predictable. They also clarify the extent to which others may approach the protected invention without infringing. These traits in turn strengthen the incentives of private actors to engage in value-maximizing activities such as innovation or commercial transactions.

In contrast, poor patent quality is said to hold deleterious consequences. Large numbers of improvidently granted patents may create *in terrorem* effects on entrepreneurship, ranging from holdup licensing to patent thickets. They also create duplicative, deal-killing transaction costs, as potential contracting parties must revisit the work of the USPTO in order to assess the validity of issued patents. Poor patent quality may also encourage activity that is not socially productive. Attracted by large damages awards and a porous USPTO, rent-seeking entrepreneurs may be attracted to form speculative patent acquisition and enforcement ventures. Industry participants may also be forced to expend considerable sums on patent acquisition and enforcement. The net results appear to be reduced rates of innovation, decreased patent-based transactions, and higher prices for goods and services.

Unfortunately, despite extraordinary efforts by the USPTO to improve patent quality, the problem remains. Persistent accounts suggest that patent quality remains at less than optimal levels. Many of the causes of this state of affairs are beyond the control of the USPTO. Strict Federal Circuit standards for rejecting applications, soaring application rates, lean fiscal policies and an increasingly ambitious range of patentable subject matter are among the difficulties faced by the USPTO in achieving a rigorous level of review. Legislative reforms may to a long way towards increasing the stringency of USPTO review, to the ultimate benefit of industry and consumer alike.

In my view, the two most profitable mechanisms for improving patent quality involve: (1) a modest expansion of the responsibilities of patent applicants; and (2) increased engagement of members of the public. First, as the grant of a patent provides innovators with a powerful commercial tool, many of us believe that applicants should bear commensurate responsibilities. Second, the USPTO should be better able to employ “private patent examiners” to assist in examination tasks. Because the reforms considered today work towards these goals, I favor their serious consideration.

**Promotion of Third Party Submissions and *Inter Partes* Reexamination.** I believe that increased receptivity to third party submissions will allow the USPTO to take advantage of the knowledge of interested members of the public, and therefore support this proposal wholeheartedly. As well, there is widespread agreement that *inter partes* reexamination has not successfully shifted patent challenges from the courts to the USPTO. As originally enacted, its appeal provisions were too limited, its substantive scope too narrow, and its estoppel provisions excessive. Previous legislation has solved the problem of its appeal provisions; I agree that it is time both to include § 112 as a basis for provoking an *inter partes* reexamination, as well as to limit the potential estoppel effects of invoking this proceeding. I would also encourage the Subcommittee to consider expanding the substantive basis for *ex parte* reexamination to mirror that of *inter partes* reexamination.

**Mandatory Prior Art Searches.** A compelled applicant prior art search is not only a desirable reform in an era of diminishing USPTO resources, but one that comports with existing patent policies. The patent system aspires to send technologists to “libraries, not laboratories”: firms are encouraged to consult the prior art and patent literature before completing expensive R&D in order to see whether a desired technology already exists. A mandatory prior art search fully comports with this goal. Patent applicants already include such statements when submitting foreign language references for which a complete translation is unavailable,<sup>1</sup> so this proposal is not so much a sweeping reform but an expansion of existing duties. Statements of relevance must also discourage the current, counterproductive strategy of some patent applicants, in which they submit hundreds of references and leave the USPTO examiner to sort them out.

**Preliminary Injunctions.** I encourage clarification of this proposal. The four traditional preliminary injunction standards are:

- (1) whether the plaintiff will probably succeed on the merits;
- (2) whether irreparable harm to the plaintiff would result if the injunction is not granted;
- (3) the balance of harms between the plaintiff and defendant if the injunction is allowed;
- and
- (4) whether the injunction will have an impact on the public interest.

The current proposal would compel consideration of five additional factors, which currently are probably subsumed within the second, “irreparable harm” factor, and the fourth, “public interest” factors. It is not

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<sup>1</sup>37 C.F.R. § 1.98(a)(3)(iii).

entirely clear whether this legislation would create a nine-factor test or simply flesh out the second and fourth factors. Although lists of factors in the law tend not to specify the exact relationship between the different factors – they are more a list of ingredients than a recipe – the fact that these factors are stated separately suggests that they are of equal dignity and worthy of equal consideration.

**Declaratory Relief and Offers to License.** The current proposal states that any communication by a patent owner sufficient to create liability for willful infringement would also create declaratory judgment jurisdiction. The apparent policy goal of this proposal is quite sound: patent proprietors should not be able to cause concern over enhanced damages without allowing the patent to be immediately challenged in court. However, declaratory judgment jurisdiction rests upon the constitutional requirement of an actual case or controversy, a standard that Congress cannot readily legislate around. I would encourage the Subcommittee to achieve the same policy goal by pursuing the opposite tack: unless the patentee makes a charge of infringement sufficient to invoke declaratory judgment jurisdiction, then there can be no liability for willful infringement.

**Additional Reforms.** I encourage the Subcommittee to continue thinking creatively about solutions to our patent quality problem. I believe that the extent of current patent quality problems, as well as the increasingly difficult circumstances the USPTO appears likely to find itself in the future, merit the establishment of an Office of Patent Quality Review. This office could develop measures of patent quality, both in terms of the examination process and issued patents. I believe that such an office should not exist within the USPTO or the Department of Commerce, but rather the Federal Trade Commission, an agency with experience and expertise in competition law and consumer affairs.

Thank you for the opportunity to testify today.